

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Town Health International Medical Group Limited
康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2022:

- The Group recorded revenue of approximately HK\$710,873,000 (2021: approximately HK\$721,974,000).
- The Group recorded a loss of approximately HK\$6,824,000 (2021: profit of approximately HK\$24,675,000).

As at 30 June 2022:

- The Group had net current assets and net assets of approximately HK\$1,897,001,000 and HK\$4,139,977,000, respectively.
- The Group had a current ratio of 5.46 and a gearing ratio of 0.39%.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

RESULTS

The Board is pleased to report the unaudited interim condensed consolidated results of the Company and its subsidiaries for the six months ended 30 June 2022, together with the comparative unaudited figures for the six months ended 30 June 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended	
		30 June	
		2022	2021
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	4	710,873	721,974
Cost of sales		<u>(522,791)</u>	<u>(480,938)</u>
Gross profit		188,082	241,036
Other income	6	24,583	13,948
Administrative expenses		(188,056)	(174,797)
Other gains and losses, net	7	839	42,185
Expected credit loss recognised on a promissory note		–	(79,555)
Finance costs	8	(1,543)	(2,024)
Share of results of associates		(11,243)	14,165
Share of results of joint ventures		<u>(3,640)</u>	<u>(3,639)</u>
Profit before tax		9,022	51,319
Income tax expenses	9	<u>(15,846)</u>	<u>(26,644)</u>
(Loss) profit for the period	10	<u>(6,824)</u>	<u>24,675</u>

		Six months ended	
		30 June	
		2022	2021
		(unaudited)	(unaudited)
<i>Note</i>		HK\$'000	HK\$'000
Other comprehensive (expense) income for the period			
<i>Item that will not be reclassified to profit or loss:</i>			
	Fair value changes in equity instruments at fair value through other comprehensive income	<u>(955)</u>	<u>(10,952)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Exchange difference arising from the translation of foreign operations	<u>(58,116)</u>	15,109
	Share of other comprehensive expense of an associate and a joint venture	<u>(498)</u>	<u>(273)</u>
		<u>(58,614)</u>	14,836
		<u>(59,569)</u>	3,884
	Total comprehensive (expense) income for the period	<u>(66,393)</u>	<u>28,559</u>
<i>(Loss) profit for the period attributable to:</i>			
	Owners of the Company	<u>(25,337)</u>	5,518
	Non-controlling interests	<u>18,513</u>	<u>19,157</u>
		<u>(6,824)</u>	<u>24,675</u>
<i>Total comprehensive (expense) income attributable to:</i>			
	Owners of the Company	<u>(70,384)</u>	5,938
	Non-controlling interests	<u>3,991</u>	<u>22,621</u>
		<u>(66,393)</u>	<u>28,559</u>
<i>(Loss) earnings per share (HK cent(s))</i>			
	– Basic and diluted	<u>(0.34)</u>	<u>0.07</u>
		<u>12</u>	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (unaudited) <i>HK\$'000</i>	31 December 2021 (audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Investment properties		571,559	583,223
Property, plant and equipment		388,381	363,031
Right-of-use assets		70,745	91,805
Loans receivable		50,098	5,434
Goodwill		481,951	492,794
Intangible assets		316,905	329,096
Interests in associates		302,150	340,374
Interests in joint ventures		28,246	12,786
Equity instruments at fair value through other comprehensive income		28,815	29,770
Fixed bank deposits		70,281	104,805
		2,309,131	2,353,118
CURRENT ASSETS			
Inventories		44,831	38,678
Trade and other receivables	13	448,936	442,581
Financial asset at fair value through profit or loss		1,420	1,951
Loans receivable		244	353
Promissory notes		–	–
Amounts due from associates		1,059	1,270
Amount due from a joint venture		249	–
Tax recoverable		184	207
Pledged bank deposit		805	–
Fixed bank deposits		404,816	981,754
Bank balances and cash		1,419,887	910,458
		2,322,431	2,377,252

		30 June	31 December
		2022	2021
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	261,744	268,495
Contract liabilities		5,590	3,095
Amount due to an investee		296	296
Amounts due to non-controlling interests		50,843	36,864
Bank borrowing	<i>15</i>	14,781	15,400
Lease liabilities		52,247	59,738
Tax payable		39,929	37,597
		<u>425,430</u>	<u>421,485</u>
NET CURRENT ASSETS		<u>1,897,001</u>	<u>1,955,767</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>4,206,132</u>	<u>4,308,885</u>
NON-CURRENT LIABILITIES			
Lease liabilities		28,281	42,837
Deferred tax liabilities		37,874	40,614
		<u>66,155</u>	<u>83,451</u>
		<u>4,139,977</u>	<u>4,225,434</u>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	75,261	75,261
Reserves		3,698,093	3,779,774
Equity attributable to owners of the Company		3,773,354	3,855,035
Non-controlling interests		366,623	370,399
Total equity		<u>4,139,977</u>	<u>4,225,434</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

The Company is registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The addresses of the registered office and the principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and 6/F, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong respectively.

The condensed consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), which is the same as the functional currency of the Company.

As disclosed in the consolidated financial statements for the years ended 31 December 2017, 2018, 2019, 2020 and 2021, the Securities and Futures Commission ("**SFC**") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 ("**Suspension**") as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors ("**Board**") of the Company has established an independent board committee ("**IBC**") comprising all the independent non-executive directors of the Company, whose scope of the primary duties includes:

- (i) conducting an independent investigation on the issues and matters arising from or relating to the Suspension;
- (ii) making recommendations to the Board on appropriate action to be taken; and
- (iii) working towards the goal of having the shares of the Company resumed in trading on the Stock Exchange.

During 2018 and 2019, the IBC had appointed an independent forensic accountant to conduct investigations on the issues and matters arising from or relating to the direction issued by the SFC and to make recommendations to the Board.

After reviewing the findings and conclusion of the independent forensic accountant reports, the IBC accepts that the matters leading to the SFC's concerns on the materially false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended.

On 30 April 2019, 31 July 2019 and 31 October 2019, the Company announced that the resumption application made by the Company to the SFC under Section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) ("**SMLR**") will be considered by the board of the SFC in due course. The Company will continue to communicate with the SFC and seek to resume the trading of its shares on the Stock Exchange as soon as practicable.

As disclosed in the announcement of the Company dated 31 October 2019, the Board resolved on 31 October 2019, among other things, to call each director to resign and each resigning director shall be eligible to put himself/herself forward for re-election at a special general meeting of the Company convened and held on 2 December 2019.

The Board proposes for a change of its composition as the Board believes that reorganisation of the Board would enable the Company to move forward and to develop a new development strategy for the Company.

On 10 January 2020, the Company announced that it received a letter from the Stock Exchange dated 7 January 2020 ("**Letter**") stating that:

- (i) the Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the SMLR; and
- (ii) after consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

The Letter further states that the above is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Stock Exchange also reserves all its rights under the Listing Rules. In particular, the Company is reminded of its obligation to procure a resumption of trading as soon as possible.

On 29 April 2020, 31 July 2020, 30 October 2020 and 2 February 2021, the Company has announced that the Company has continued communicating with the SFC on the resumption application made by the Company to the SFC under Section 9 of the SMLR.

On 26 February 2021, the Company announced that, as disclosed in previous announcements of the Company, the Company has been communicating with the SFC on the resumption application made by the Company under Section 9 of the SMLR. At the request of the SFC, a reputable independent consultant (as agreed by the SFC) (“**Consultant**”) has been engaged to conduct a review of the Company’s internal control. Such review has now been completed and a report (“**IC Report**”) has been issued to the Company and the SFC. The Board confirms that the Company is now being managed by new Board members and senior management who are free from the control of or influence from Dr. Cho Kwai Chee, a former non-executive director retired on 29 June 2018 and Dr. Hui Ka Wah, Ronnie, a former executive director resigned on 2 December 2019, in their conduct of the Company’s businesses and operations. The Company has been informed that the SFC has considered the IC Report and other documents and information submitted by the Company, and the SFC has, by notice to the Stock Exchange and pursuant to Section 9(3) of the SMLR, permitted the dealings in the shares of the Company to recommence subject to the following conditions (collectively, “**Resumption Conditions**”):

- (i) the Company shall publish the announcement relating to resumption of trading;
- (ii) the Company undertakes: (a) to implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (b) to procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the recommendations in the IC Report have been properly implemented by the Company; (c) to procure the Consultant to submit a report following the follow-up review to the Company and the SFC Executive for concurrent review; and
- (iii) the Company shall publish an announcement regarding the results of the follow-up review report.

The Company fulfilled the first Resumption Condition by publishing the announcement dated 26 February 2021.

With reference to the second Resumption Condition, the Company will (i) implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (ii) procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the Consultant’s recommendations in the IC Report have been properly implemented by the Company; and (iii) procure the Consultant to submit a report following such follow-up review to the Company and the SFC for concurrent review. Further announcement will be made in respect of the follow-up review report as required under the third Resumption Condition. The SFC has permitted dealings in the shares of the Company to recommence from 9:00 a.m. on 1 March 2021.

Trading in the shares of the Company on the Stock Exchange resumed with effect from 9:00 a.m. on 1 March 2021.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as appropriate.

Other than the application of the below mentioned amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

3.1.1 Accounting policies

For business combination in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3.1.2 Transition and summary of effects

The Group has applied the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

3.2 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the annual improvements which make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality or cyclicality of the interim operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with customers are as follows:

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	239,923	181,502
– Dental services	30,294	32,554
	<u>270,217</u>	214,056
Hong Kong managed medical network business	201,972	216,431
Mainland hospital management and medical services	233,613	217,097
	<u>705,802</u>	647,584
Revenue recognised under other accounting standard		
Others		
– Rental income	5,071	74,390
	<u>710,873</u>	721,974
Total	<u>710,873</u>	<u>721,974</u>
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At a point in time	654,918	604,202
Over time	50,884	43,382
	<u>705,802</u>	647,584
	<u>705,802</u>	<u>647,584</u>

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management and medical services are recognised over time.

5. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer (“CEO”), regularly evaluated the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and others.

Specifically, the Group’s operating and reportable segments are as follows:

- Hong Kong medical services – Provision of the medical and dental services in Hong Kong
- Hong Kong managed medical network business – Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
- Mainland hospital management and medical services – Provision of medical and dental services in the People’s Republic of China (“PRC”), provision of hospital management services and related services
- Others – Leasing of properties

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

Segment revenue and results

Six months ended 30 June 2022

	Hong Kong medical services (unaudited) HK\$'000	Hong Kong managed medical network business (unaudited) HK\$'000	Mainland hospital management and medical services (unaudited) HK\$'000	Others (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	270,217	201,972	233,613	5,071	-	710,873
Inter-segment sales	17,836	-	-	-	(17,836)	-
	<u>288,053</u>	<u>201,972</u>	<u>233,613</u>	<u>5,071</u>	<u>(17,836)</u>	<u>710,873</u>
Segment results before expected credit loss and impairment losses	<u>1,158</u>	<u>10,637</u>	<u>24,416</u>	<u>(5,391)</u>	<u>-</u>	<u>30,820</u>
Expected credit loss recognised on other receivables	-	-	(1,016)	-	-	(1,016)
Reversal of impairment loss on property, plant and equipment	-	-	-	2,811	-	2,811
Impairment loss recognised on right-of-use assets	<u>(1,333)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,333)</u>
Segment results	<u>(175)</u>	<u>10,637</u>	<u>23,400</u>	<u>(2,580)</u>	<u>-</u>	<u>31,282</u>
Finance costs						(154)
Unallocated other income						6,093
Unallocated corporate expenses						<u>(28,199)</u>
Profit before tax						<u><u>9,022</u></u>

Six months ended 30 June 2021

	Hong Kong medical services (unaudited) HK\$'000	Hong Kong managed medical network business (unaudited) HK\$'000	Mainland hospital management and medical services (unaudited) HK\$'000	Others (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	214,056	216,431	217,097	74,390	-	721,974
Inter-segment sales	19,571	-	-	-	(19,571)	-
	<u>233,627</u>	<u>216,431</u>	<u>217,097</u>	<u>74,390</u>	<u>(19,571)</u>	<u>721,974</u>
Segment results before impairment loss	<u>(10,635)</u>	<u>18,101</u>	<u>21,749</u>	<u>48,837</u>	<u>-</u>	<u>78,052</u>
Impairment loss recognised on right-of-use assets	<u>(4,144)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,144)</u>
Segment results	<u>(14,779)</u>	<u>18,101</u>	<u>21,749</u>	<u>48,837</u>	<u>-</u>	<u>73,908</u>
Finance costs						(161)
Unallocated other income						3,335
Unallocated corporate expenses						<u>(25,763)</u>
Profit before tax						<u><u>51,319</u></u>

Geographical information

The Group's revenue from external customers are detailed below:

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong	477,260	504,877
Other regions of the PRC	233,613	217,097
	<u>710,873</u>	<u>721,974</u>

6. OTHER INCOME

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Dividend income from equity instruments at fair value through other comprehensive income – relating to investments held at the end of the reporting period	903	1,285
Interest income	12,927	6,586
Rental income	1,431	1,828
Rent concessions	1,559	2,688
Employee Support Scheme income (<i>Note</i>)	5,859	–
Sundry income	1,904	1,561
	<u>24,583</u>	<u>13,948</u>

Note: During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$5,859,000 in respect of Covid-related subsidies, of which were all relating to the Employment Support Scheme provided by the Hong Kong government under which the Group was required to comply with certain conditions under the scheme. There was no unfulfilled condition or contingency relating to these grants.

7. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Fair value changes on investment properties	886	49,175
Fair value changes on financial assets at fair value through profit or loss	(456)	(2,732)
Reversal of impairment loss on property, plant and equipment	2,811	–
Impairment loss recognised on right-of-use assets	(1,333)	(4,144)
Expected credit loss recognised on other receivables	(1,016)	–
Loss on disposal of and written-off of property, plant and equipment	(37)	(114)
Realised loss on disposal of marketable securities	(16)	–
	<u>839</u>	<u>42,185</u>

8. FINANCE COSTS

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowing	154	161
Interest on lease liabilities	1,389	1,863
	<u>1,543</u>	<u>2,024</u>

9. INCOME TAX EXPENSES

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	4,106	17,596
PRC Enterprise Income Tax	12,760	10,066
Deferred taxation credit	(1,020)	(1,018)
	<u>15,846</u>	<u>26,644</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both interim periods.

Under the Law of the PRC on Enterprise Income Tax (“**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both interim periods.

10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting):		
Staff costs		
– Directors’ remuneration	4,162	703
– Other staff’s salaries, bonus and other benefits	345,831	302,885
– Other staff’s retirement benefits scheme contributions	5,728	5,197
	<u>355,721</u>	<u>308,785</u>
Amortisation of intangible assets	5,311	5,306
Depreciation of property, plant and equipment	23,695	21,332
Depreciation of right-of-use assets	30,675	34,976
Loss on exchange difference	13,305	106
Covid-related rent concessions	(1,559)	(2,688)

11. DIVIDENDS

During the current interim period, a final dividend of Hong Kong 0.15 cent per share for the year ended 31 December 2021 was declared to the owners of the Company. The aggregate amount of final dividend declared during the interim period amounted to approximately HK\$11,289,000 (2021: Nil).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period attributable to owners of the Company and (loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share	<u><u>(25,337)</u></u>	<u><u>5,518</u></u>
	30 June	30 June
	2022	2021
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u><u>7,526,134,452</u></u>	<u><u>7,526,134,452</u></u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share. Diluted (loss) earnings per share for both the six months ended 30 June 2022 and 2021 were presented as the same as basic (loss) earnings per share as there were no potential ordinary shares in issue for both the six months ended 30 June 2022 and 2021.

13. TRADE AND OTHER RECEIVABLES

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Trade receivables	317,064	348,937
Bills receivables	63,175	37,715
	380,239	386,652
Deposits	38,459	39,389
Other receivables	12,055	8,304
Prepayments	18,183	8,236
	448,936	442,581

The following is an ageing analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period:

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
0-60 days	173,396	242,650
61-120 days	57,700	85,668
121-180 days	54,199	55,017
181-240 days	76,948	3,317
241-365 days	17,996	–
	380,239	386,652

Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days (31 December 2021: 180 to 240 days) while settlement by corporate customers of the Group's managed medical network operation is from 60 to 180 days (31 December 2021: 60 to 180 days). The Group allows an average credit period of 60 to 240 days (31 December 2021: 60 to 240 days) to its trade customers under other business activities.

14. TRADE AND OTHER PAYABLES

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Trade payables	144,756	143,486
Other payables	39,778	15,670
Deposits received	5,245	4,624
Accruals	71,965	104,715
	261,744	268,495

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
0-60 days	82,369	95,165
61-120 days	29,416	21,555
Over 120 days	32,971	26,766
	144,756	143,486

The average credit period on purchase of goods is 60 to 120 days (31 December 2021: 60 to 120 days).

15. BANK BORROWING

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Secured	<u>14,781</u>	<u>15,400</u>

As at 30 June 2022 and 31 December 2021, the bank borrowing of the Group carried variable interest rates at Hong Kong Interbank Offered Rate +2.25% per annum.

The Group's bank borrowing contains a repayable on demand clause and therefore has been classified as current liabilities in the condensed consolidated financial statements.

The Group's mortgage loan is secured by the Group's leasehold land and building and supported by personal guarantee provided by non-controlling interests of the Company's non-wholly owned subsidiary which will be released upon repayment of the mortgage.

16. SHARE CAPITAL

	Numbers of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 30 June 2022	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 30 June 2022	<u>7,526,134,452</u>	<u>75,261</u>

17. Events after reporting period

(a) Acquisition of Central Medical Holdings Limited (“Central Medical”)

On 11 July 2022 (after trading hours), Speedy Light International Limited (“**Buyer**”) (an indirect wholly-owned subsidiary of the Company) and Hong Kong Medical Consultants Holdings Limited (“**Seller**”) entered into the share purchase agreement, pursuant to which the Buyer has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, 100% of the issued share capital of Central Medical at the consideration of HK\$476,000,000, which will be settled:

- (i) as to HK\$356,000,000 by the issue of the convertible bonds by the Company to the nominees of the Seller; and
- (ii) as to HK\$120,000,000 in cash payable by the Buyer to the Seller.

The conditions precedent as set out in the above share purchase agreement have been fulfilled and the acquisition was completed on 26 August 2022.

Further details of the above acquisition are set out in the announcements of the Company dated 11 July 2022 and 26 August 2022.

(b) Repurchase of Shares

On 26 July 2022, 28 July 2022 and 29 July 2022, the Company has repurchased on the Stock Exchange 930,000 Shares at the aggregate consideration of HK\$465,000, 68,924,000 Shares at the aggregate consideration of HK\$35,840,480 and 81,000,000 Shares at the aggregate consideration of HK\$42,930,000 respectively.

Further details of the above share repurchases are set out in the next day disclosure returns of the Company dated 26 July 2022, 28 July 2022 and 29 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group is pleased to report its results for the six months ended 30 June 2022.

During the period under review, the Group recorded an unaudited consolidated loss of approximately HK\$6,824,000 (2021: profit of approximately HK\$24,675,000). Such significant change from unaudited consolidated profit to unaudited consolidated loss was mainly attributable to (i) the decrease in the revenue of the Group recorded for the six months ended 30 June 2022; (ii) the decrease in fair value gain of the Group's investment properties recorded for the six months ended 30 June 2022; and (iii) the share of losses of associates recorded for the six months ended 30 June 2022.

Decrease in Revenue

The Group recorded revenue of approximately HK\$710,873,000 for the six months ended 30 June 2022 (2021: approximately HK\$721,974,000), which was mainly contributed by the decrease in Covid testing services during the six months ended 30 June 2022. Details of revenue from different business segments of the Group will be explained in subsequent paragraphs.

Decrease in Fair Value Gain on Investment Properties

The Group recorded a fair value gain on investment properties of approximately HK\$886,000 for the six months ended 30 June 2022 (2021: fair value gain of approximately HK\$49,175,000). The decrease was mainly attributable to the stabilised property market conditions after the rapid recovery of economic activities from the Covid Pandemic in 2021.

Share of losses of Associates

The Group recorded share of losses of associates of approximately HK\$11,243,000 for the six months ended 30 June 2022 (2021: share of profits of associates of approximately HK\$14,165,000). Such change from share of profits to losses was mainly attributable to the temporary closure of certain parts of the operations of certain associates of the Group as a result of the outbreak of the Covid Pandemic in the first half of 2022.

BUSINESS REVIEW

In the first half of 2022, the outbreak of the fifth Covid epidemic wave in Hong Kong and the implementation of social distancing restrictions by the government resulted in a sharp drop in the flow of people in the market, landing a severe hit to broad consumer activity and economic sentiment and brought unprecedented challenges to the local private healthcare services industry, and the Group's business operations were inevitably affected to a certain extent. During the period under review, the Group recorded an unaudited consolidated loss of approximately HK\$6,824,000 (2021: profit of approximately HK\$24,675,000).

The haze of the Pandemic has shrouded the world for more than two years. As one of the Hong Kong's largest-scale and most extensive chain medical service providers, the Group has always put the lives and health of citizens as its top priority. The infection rate and death rate resulted from the fifth Covid epidemic wave was record high and has hit the tipping point of Hong Kong's healthcare system. In the face of the most severe battle against the local epidemic so far, all employees of the Group stayed on duty during the extremely severe time of the epidemic. To achieve both economic benefit and social value to the society, the Group on the one hand continued to provide reputable and high-quality medical care services; on the other hand, it continued to stay at the forefront for the prevention, defense and control of the Pandemic, and cooperated with the government to carry out vaccination, nucleic acid testing services, and provided medical support for quarantine facilities.

- In terms of vaccination services in Hong Kong, during the period from the outbreak of the Pandemic to 30 June 2022, the Group has administered over 1.3 million doses of vaccines for the citizens in Hong Kong, accounting for approximately 7.4% of the total vaccination doses in Hong Kong. In the Mainland China, Nanshi Hospital, which is managed by Nanyang Xiangrui, a subsidiary of the Company, also continued to provide vaccination services to local residents and administered over 110,000 doses of vaccines during the six months ended 30 June 2022. At the beginning of 2022, the fifth Covid epidemic wave ravaged Hong Kong, triggering a wave of Covid vaccination. Apart from the designated medical centres under the Group which continued to provide free vaccination services, the Group also managed and operated four community vaccination centres and two vaccination stations in public hospitals, and launched two mobile vaccination stations to shuttle between multiple districts to provide Covid vaccination services to the general public against Covid. In addition, in order to facilitate vaccination for the elderly and people with disabilities, the Group also dispatched outreach vaccination teams to carry out home vaccination services.

- In terms of nucleic acid testing services, in the Mainland China, Nanshi Hospital has conducted in total approximately 410,000 nucleic acid tests for local residents for the six months ended 30 June 2022. In Hong Kong, on 11 March 2022, Sure Metro Limited, a wholly-owned subsidiary of the Company and Sunrise Diagnostic Centre Limited established Hong Kong Medical Test Centre Limited as a joint venture to operate a medical laboratory in Hong Kong to carry out diversified testing services including Covid nucleic acid testing to assist early identification of infected cases to inhibit the spread of the epidemic in the community.
- In terms of quarantine facilities management, the Group took over the operation and management of the Tsing Yi community isolation facility affiliated medical station from mid-March to May 2022. Meanwhile, the Group participated in the operation of the Kai Tak Holding Centre, which was specialized in caring for the elderly diagnosed with Covid, and dispatched medical staff to provide round-the-clock support to relieve the pressure on public hospitals and elderly homes.

Rooted in Hong Kong, the Group is devoted to serve the citizens. The Group launched the “Town Health 360” membership program in March 2022 to offer permanent free memberships to the general public with access to medical services, health checks, medical imaging diagnosis, health management and beauty care and medical beauty to assist the Group to establish long-term relationships with the citizens and strengthen the connection between them to enable the Group to understand and cater to the different healthcare needs of the citizens in order to provide “customer-oriented” personalized healthcare services. From April to May 2022, the Group distributed hundreds of thousands of rapid antigen test kits through the “Town Health 360” membership program to help students returning to school safely which was well received and recognized by parents, and benefited tens of thousands of families. Moreover, the Group also continued to provide free medical information and lifestyle health knowledge through its website and major social media platforms to enhance the citizens’ awareness of disease prevention and treatment.

Healthcare Service Network of the Group

As of 30 June 2022, the Group had 452 healthcare service points covering multiple practices, including 257 general practice service points, 73 specialist service points, 23 dental service points and 99 auxiliary service points. As of 30 June 2022, the Group had 751 doctors, dentists and auxiliary service staff (including 404 general practitioners, 206 specialists, 30 dentists and 111 auxiliary service staff) providing healthcare services via the Group’s network of self-operated and affiliated medical service centres.

Business in Hong Kong

Managed Medical Network – Vio

During the period under review, the Group's medical network management business in Hong Kong recorded revenue of approximately HK\$201,972,000 (2021: approximately HK\$216,431,000), accounting for approximately 28.41% (2021: approximately 29.98%) of the Group's revenue for the six months ended 30 June 2022, with a drop in net profit. The decline in performance was mainly due to a sharp drop in the number of outpatient visits during the outbreak of the fifth Covid epidemic wave in Hong Kong in early 2022, when there were multiple unidentified Covid transmission chains in the community, causing residents to avoid going out. Fortunately, with the easing of community infections in the second quarter and the relaxation of social distancing restrictions by the government, the citizens' daily life gradually returned to normal, which led to a gradual recovery in outpatient visits.

The severity of the fifth wave locally was manifested by the exponential growth in the number of confirmed cases. In order to protect frontline employees and enhance the confidence of patients and clients visiting our clinics, Vio carried out a number of measures to improve the clinic environment during this period, including upgrading the ventilation system and installing ceiling-mounted ultraviolet equipment for disinfection of circulating air, to prevent indoor transmission. During the Pandemic, Vio's electronic records, electronic invoice system and electronic medical expenses pre-approval work-flow have proved to be valuable. On the one hand, these could reduce the risk of transmission by reducing physical contacts with fomites such as paper records, currency or invoices, and on the other hand, these could save costs on postage and time for sending physical invoices or claims reports and enable Vio to work with clients' employees working from home, and continue to provide efficient and convenient electronic medical claims services.

The aging society and increased health awareness of the public have prompted increasing demand for private specialist medical services. In the first half of 2022, Vio continued to expand its professional medical team as planned. It recruited specialists with extensive clinical experience in surgery, otorhinolaryngology and nephrology to provide patients with more diversified and higher-level specialist services.

Self-Operated Medical Centre Chain

During the period under review, the revenue from the general practice services, specialist services and dental services of the Group was approximately HK\$270,217,000 (2021: approximately HK\$214,056,000), accounting for approximately 38.01% (2021: approximately 29.65%) of the Group's revenue for the six months ended 30 June 2022, and the increase in revenue resulted in a decrease in loss. Affected by the fifth Covid epidemic wave, certain non-urgent medical needs were delayed, resulting in sluggish performance of general practice services, specialist services and dental services; despite a boost in revenue deriving from the high demand for Covid vaccination services during the Pandemic, it was still not enough to offset the negative impact of the Pandemic.

In terms of general practice services, the Group continued to optimize and integrate the outpatient network in response to changes in the market and customer needs and proactively respond to the government's Covid vaccination program. During the period under review, the Group provided citizens with uninterrupted, convenient, comprehensive and reliable primary medical services in the communities where they lived and worked during the outbreak of the Pandemic, and attempt to minimize the waiting time of customers as much as possible through appointments. To construct a community protection barrier, all of the general practice medical centres of the Group continued to provide free Covid vaccination to citizens in Hong Kong. In addition, the Group has built multiple vaccination channels, including management and operation of a number of community vaccination centres and vaccination stations in public hospitals, and set up mobile vaccination stations and outreach vaccination teams to provide outreach vaccination services.

In respect of specialist services, the Pandemic hampered the development of the specialist business. However, the Group has always attached great importance to and been optimistic about the prospects of the specialist medical service market. The Group covers a number of specialist services, including cardiology, orthopaedics, otorhinolaryngology, ophthalmology and gastroenterology and hepatology. In May 2022, the Group planned to establish a cardiology medical centre in Kwun Tong, hoping to further expand its cardiology business by taking advantage of the aging population in the area; in June 2022, the Group became a majority shareholder of the company operating the Hong Kong Cardiac Diagnostic Centre (Jordan), further extending its scope of cardiology services to medical imaging diagnosis to provide customers with more comprehensive and high-quality one-stop services.

For dental services, business operations maintained stable. During the period under review, in response to changes in the medical needs of communities, the Group continued to optimize and integrate the outpatient network and connect the medical resources of nearby outpatient clinics to further improve clinic efficiency.

Business in Mainland China

Hospital Management Business

Nanyang Xiangrui, a subsidiary of the Company, overcame the adverse impact of the Pandemic and recorded a double-digit growth in revenue in the first half of 2022. Various business segments continued to develop and the overall performance was gratifying.

The operation model of “general hospital + branches” of Nanshi Hospital, a national Grade III Level A hospital which is managed by Nanyang Xiangrui, achieved remarkable results. During the period under review, Nanshi Hospital entered into a medical alliance cooperation agreement with county-level hospitals in 12 counties and municipal districts as well as 42 township health centres under the jurisdiction of Nanyang City to jointly explore the development of diagnosis and treatment services under the medical alliance.

The General Hospital and Youtian Branch of Nanshi Hospital, Nanyang Ruishi Ophthalmology Hospital and Nanshi Chinese Medicine Rehabilitation Hospital also achieved satisfactory growth in business development and performance, and continued to grow rapidly during the period under review. In the first half of 2022, Nanshi Hospital experienced an increase in its overall service capacity for outpatient services, inpatient services and surgery. The number of outpatient visits exceeded 225,000, and the number of surgeries performed exceeded 8,200, driving a steady growth of revenue from medical services and pharmaceuticals.

In terms of discipline construction, Nanshi Hospital established a cooperative relationship with Shanghai East Hospital (Tongji University Affiliated East Hospital), a large-scale comprehensive Grade III Level A hospital and effectively improved the diagnosis and treatment level of the cardiac centre of Nanshi Hospital as well as successfully increased its capacity for cardiac surgeries. The cardiac surgical team of Nanshi Hospital will explore further cooperation opportunities in the future, and is committed to building up the reputation of the cardiac centre of Nanshi Hospital as a leading centre for cardiovascular treatment in Nanyang.

In addition to multiple offline measures, Nanshi Hospital officially launched its internet hospital business during the period under review after obtaining the Internet Hospital License issued by the Health Commission of Nanyang City in March 2022, accelerating the deployment of the new “internet + medical services” business development model. As the first internet hospital in Nanyang City, Nanshi Hospital has built a service platform for residents of Nanyang City and surrounding areas to provide online consultation, appointment booking, registration, intelligent consultation, home medication delivery services, follow-up visit and chronic disease management. The service platform has served approximately 105,000 people accumulatively. At the same time, Nanshi Hospital has strengthened doctor training and market promotion for internet hospital services to meet the full-cycle online and offline medical needs of patients covering prevention, diagnosis, treatment and rehabilitation.

Health Management Business

During the period under review, the Group’s health management institutions located in Jinan City in Shandong Province and Guangzhou City, Shenzhen City and Zhongshan City in Guangdong Province were all affected in varying degrees by Pandemic prevention and control measures. The local management team continued to focus on developing specialty services, expanding high-quality customer groups, further enhancing its overall competitiveness and striving to maintain stable business development.

- In Jinan City, Shandong Province, the business operation of Town Health International Health Management Centre, which is managed by Likang, was stable, with steady progress in health check, stomatology, beauty and colorectal cancer screening. For health check segment, it continued to explore corporate customer requiring group health check services and optimize other customer acquisition channels, and gradually increased health check packages with high unit price; the personnel and equipment for cardiopulmonary exercise testing have been in place, and the service procedure and report issuance have also been standardized. During the period under review, Town Health International Health Management Centre proactively introduced services to local customers and held cardiopulmonary health lectures, and continue to strive for more value-added services to meet the needs of local residents for high-quality medical care services.

- In Guangzhou City, Guangdong Province, Yikang, a subsidiary of the Company, was granted a practising license for medical institution from Tianhe District Health Committee of Guangzhou City in January 2022. It is qualified to open Guangzhou Integrated Clinic which plans to focus on specialties such as peripheral supporting services for assisted reproductive services and life cycle health care services for female. During the period under review, services such as routine color Doppler ultrasound, electrocardiogram examination and andrology have been launched, and a pharmacy has been opened to sell Chinese health care products.
- In Shenzhen City, Guangdong Province, Ganghe Clinic continued to focus on providing reproductive services to its customers. In order to cater for the medical needs and maintain the convenience of customers during the Pandemic prevention and control period, Ganghe Clinic launched online and offline integrated diagnosis and treatment services by inviting experts from well-known Grade III Level A hospitals to provide remote video diagnosis and treatment for patients and cooperating with doctors of Ganghe Clinic to carry out offline consultation. This diagnosis and treatment model received positive responses from customers. In addition, Ganghe Clinic also began to provide Helicobacter pylori screening services to insurance customers of Shenzhen Branch of China Life Group, and continued to strengthen and explore the business cooperation opportunities and model between the Group and China Life Group.

Other Business

During the period under review, TBM, which was engaged in beauty care and medical beauty, recorded a year-on-year decrease in revenue and net profit, mainly due to the impact of the Pandemic prevention and control measures in Hong Kong and the Mainland China. TBM continued to focus on the “beauty + health care” strategy, promoting the business integration of medical treatment, traditional Chinese medicine, pain treatment and hair transplant and beauty business ecosystem, and is committed to establishing a comprehensive health industry chain.

The Pandemic has severely impacted the core business operations of TBM. The stores in Hong Kong were closed from 7 January 2022 to 20 April 2022; and the stores in Shenzhen, Shanghai and Guangzhou were closed for different lengths of time in the first half of 2022 in response to the lockdown measures in the different location. During the closure period, TBM took a number of measures to increase its income and reduce its expenditure, including applying for rent reduction from the landlords and applying to the government for the “2022 Employment Support Scheme”, etc., in an effort to maintain a smooth business transition.

TBM is firmly optimistic about the growth potential of the beauty care and medical beauty market, and believes that the adverse impact of the Pandemic on its business in Hong Kong and the Mainland China is only temporary. The stores in Hong Kong resumed operation since 21 April 2022. Customers proactively booked appointments for beauty treatments and the business showed a rebound. In the Mainland China, the operations of the stores in Shenzhen and Guangzhou gradually returned to normal since the second quarter of 2022, and the stores in Shanghai also gradually returned to normal since June 2022. During the period under review, TBM continued to allocate resources to expand its store network and opened a new store in Shanghai and Shenzhen, respectively, to meet the strong rebound following the Pandemic.

During the period under review, TBM employed 12 full-time or part-time doctors, and had 14, 10, 9 and 3 beauty centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively.

OUTLOOK

At present, the easing of the Pandemic in Hong Kong, the gradual relaxation of social distancing measures as well as the government's launch of the second round of consumer vouchers scheme and other supportive measures have stimulated local consumption activities, and business sentiment has improved significantly. At the same time, the Pandemic prevention policies in the Mainland China have become more precise. The public-oriented medical service industry is expected to gradually recover in the second half of 2022. The Group will continue to pay close attention to the evolution of the Pandemic and the economic development, flexibly adjusting its business layout and improving its operational strategies in a timely manner, and managing and controlling operational risks caused by external uncertainties, so as to continue to create greater value for customers and shareholders.

As the Group's reputation in the private medical service market in Hong Kong has been gradually consolidated and its service capabilities have been improved, it is expected to effectively promote the coordinated development of the business in Hong Kong and the Mainland China, especially the linkage between the medical service business in Hong Kong and the health management business in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group is ready to provide one-stop healthcare service solutions for more than 86 million residents in the Guangdong-Hong Kong-Macao Greater Bay Area, with coverage from medical services including general practice services, specialist services and dental services to health care services including health check, medical imaging diagnosis, testing and beauty care and medical beauty. It is also proactively studying into telemedicine services to enable second medical opinions to be provided for residents of the Guangdong-Hong Kong-Macao Greater Bay Area outside Hong Kong, and build "Town Health" into a top medical service brand rooted in Hong Kong with coverage in the Greater Bay Area.

Hong Kong

As for the medical network management business, Vio's business model is a mature one. With its experienced team, premier services and electronic systems, Vio has established itself as the provider of choice for government departments, major corporate clients and insurance companies for many years. It is well prepared to utilise its competitive advantages in the post-Pandemic era to meet the different needs of new and old clients. It will continue to provide customer-oriented and high-quality medical solutions to achieve sustainable profitability. As one of the very few private medical institutions that have obtained ISO 9001:2015 quality management system certification in Hong Kong, Vio will continually improve service quality by optimizing supervisory functions, provide patients and clients with reliable and high-quality medical services at affordable prices, streamline operational processes and provide training for employees to improve medical outcomes.

For self-operated medical centre chain, leveraging on its solid business foundation, the Group will adhere to the development principle of seeking progress while maintaining stability and will continue to upgrade its medical services, strengthen its professional teams and optimize its IT systems. Specific measures include the following:

- in terms of upgrading its medical services, the Group plans to set up comprehensive specialist medical centres in core business districts to connect medical resources in the districts and strengthen internal referral mechanisms such that different departments can share customer resources and enhance academic exchanges;
- in respect of strengthening its professional teams, the Group will strive to gather and cultivate outstanding medical and nursing talents, continue to provide comprehensive administrative and operational support for doctors, and is exploring inviting doctors to jointly establish a partnership system to attract outstanding doctors to join the Group for common development; and
- as to optimizing the IT system, the Group will strengthen the management of customers' personal information and medical records, improve management efficiency while reducing operating costs, and generating internal synergies, so as to better grasp customer needs and flexibly provide one-stop medical services based on customer needs.

In addition, in July 2022, the Group has conditionally agreed to acquire all the issued shares of Central Medical, an integrated private medical services provider in Hong Kong, at the total consideration of HK\$476 million, to be settled by HK\$120 million in cash and HK\$356 million by issuance of convertible bonds. Completion of such acquisition took place on 26 August 2022. The acquisition of Central Medical is part of the Group's wider strategy to expand its market presence and will further solidify the position of the Group in the private medical services sector in Hong Kong as:

- Central Medical has specialist doctors renowned in their respective fields of expertise, offering medical and clinical services in 14 medical specialties, including respiratory medicine, cardiology, neurology, geriatrics medicine and psychiatry and complemented by medical management services and various allied health services such as clinical psychology, speech therapy, nutritional therapy, psychological counselling, and imaging and diagnostic services; and
- the acquisition of Central Medical will further improve the Group's local medical centre network layout in Hong Kong, increase its market share, and expand its medical teams and specialty areas, thereby enhancing customer service capabilities and promoting business development.

Mainland China

In terms of hospital management segment, Nanyang Xiangrui will make efforts at both online and offline ends to optimize the layout and improve quality and efficiency. At the offline end, the Cerebrovascular Disease Centre of Nanshi Hospital is a national advanced stroke centre, and its Burn Plastic Surgery Centre is a national key specialty. In the future, it will play to the competitive advantages of core departments, focus on building three centres, i.e. stroke centre, chest pain centre and trauma centre, and strive to realize the penetration of high-quality medical resources. At the online end, Nanyang Xiangrui plans to make full use of the advantages of Nanshi Hospital's internet hospital license to launch medical insurance products for chronic diseases such as diabetes, hypertension, and dementia to corporate employees and community residents, hoping to follow up on its patients' rehabilitation progress after discharge, increase the return visit rate and re-examination rate of patients, and drive the increase in the number of outpatients and inpatients at Nanshi Hospital through the internet hospital service platform.

For the health management segment, the Group will continue to monitor the strategic deployment of "comprehensive health" according to the medical needs of the population in the relevant regions, and strengthen business cooperation and mutual channel between health management institutions in different regions, to release cross-regional business synergies. In particular, Guangzhou Integrated Clinic is expected to comprehensively carry out the peripheral supporting services for assisted reproductive services and sales of related drugs in the near future, and plans to invite experts from the Reproductive Medicine Research Centre of the Sixth Affiliated Hospital of Sun Yat-Sen University for consultation. At that time, Ganghe Clinic will share reproductive medical resources with it, and simultaneously carry out VIP services to expand customer base and increase business volume.

Looking into the future, after the end of the Pandemic and the recovery of passage between the Mainland China and Hong Kong, the hospital management and health management segments in the Mainland China are expected to integrate and complement with the medical services in Hong Kong to achieve high-quality and coordinated development of the Group's business in the Guangdong-Hong Kong-Macao Greater Bay Area, and the Group is determined to become the preferred one-stop healthcare service platform for residents of the Guangdong-Hong Kong-Macao Greater Bay Area.

Other Business

The business of TBM has already covered beauty care and medical beauty, pain treatment and hair transplant. In the future, it will gradually improve the ecological map of comprehensive health and establish its positioning in “beauty + health care”. During the Anti-Pandemic stage, the competition in the beauty market is fierce. TBM will invest more resources in online marketing and make good use of social media platforms such as Facebook, Instagram and WeChat to promote various types of beauty care and medical beauty treatments in hope to strengthen customer relationship and drive sales growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted a prudent approach in financial resources management and maintaining an appropriate level of cash and cash equivalents to meet the requirements of day-to-day operations and business development, while controlling borrowings at a healthy level.

As at 30 June 2022, the Group held bank balances and cash of approximately HK\$1,419,887,000 (31 December 2021: approximately HK\$910,458,000) and fixed bank deposits of approximately HK\$475,097,000 (31 December 2021: approximately HK\$1,086,559,000). In order to achieve better cost control and minimise the costs of funds, the Group’s treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK\$, RMB and US\$. As at 30 June 2022, the Group had bank borrowing which represented a mortgage loan of approximately HK\$14,781,000 (31 December 2021: approximately HK\$15,400,000) of which approximately HK\$1,261,000 (31 December 2021: approximately HK\$1,239,000) are repayable within one year. The Group’s loans were arranged on a floating interest rate basis. Details of bank borrowing of the Group are set out in note 15 to the condensed consolidated financial statements for the six months ended 30 June 2022 set out in this announcement.

As at 30 June 2022, the Group's net current assets amounted to approximately HK\$1,897,001,000 (31 December 2021: approximately HK\$1,955,767,000) and the Group had a current ratio of 5.46 (31 December 2021: 5.64). As at 30 June 2022, the Group's gearing ratio was 0.39% (31 December 2021: 0.40%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the period under review, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were HK\$, RMB and US\$. As HK\$ are pegged to the US\$ and the fiscal policy of the Central Government of the PRC in relation to RMB was stable throughout the period under review, the Group considers that the foreign exchange exposure of the Group was manageable. The Group regularly reviews the currency exchange risks and closely monitors the fluctuation of foreign currencies. The Group will take appropriate measures to avoid excessive foreign exchange rate risks when necessary.

During the period under review, the Group did not use any financial instruments for hedging activities.

CAPITAL STRUCTURE

As at 30 June 2022, the Group had equity attributable to owners of the Company of approximately HK\$3,773,354,000 (31 December 2021: approximately HK\$3,855,035,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 16 to the condensed consolidated financial statements for the six months ended 30 June 2022 set out in this announcement.

PROMISSORY NOTES

WL Promissory Note

Pursuant to the WL Promissory Note in the principal amount of HK\$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal and a wholly-owned subsidiary of the Company, with interest at the rate of 5% per annum accrued on the outstanding principal sum of the WL Promissory Note shall be repaid on a quarterly basis, and the repayment obligation of the Purchaser under the WL Promissory Note is secured by a share mortgage over the entire issued share capital of Wise Lead executed by the Purchaser in favour of TH (BVI).

The Purchaser failed to repay the interest on the principal amount (i.e. HK\$2,511,432) accrued from 1 January 2019 up to 31 March 2019 and the Purchaser failed to respond to the Group's legal demand letter dated 9 April 2019 which demanded the Purchaser to repay the principal amount and all outstanding interest accrued thereon on or before 23 April 2019.

As such, on 6 May 2019, TH (BVI) initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against the Purchaser in respect of all outstanding sums owing by the Purchaser to TH (BVI) under the WL Promissory Note by the issuance of a writ of summons endorsed with an indorsement of claim with an action number HCA 801/2019.

According to such writ of summons, TH (BVI) claims against the Purchaser for, among other things, repayment of the principal amount and accrued interest on the WL Promissory Note at the rate of 5% per annum for the period from 1 January 2019 to the date of judgment, together with interest and costs.

The above legal proceedings in Hong Kong was discontinued by TH (BVI) on 6 December 2019. Instead, on 12 December 2019, TH (BVI) initiated legal proceedings ("**PRC Legal Claim**") in the Hangzhou Intermediate People's Court of the PRC ("**PRC Court**") against, among other, the Purchaser in respect of the Purchaser's default in repaying the principal amount and all outstanding interest accrued thereon.

On 23 April 2021, TH (BVI) received a notice (“**Court Notice**”) and a court summons issued by the PRC Court, pursuant to which, among others:

1. the counterclaim (“**Counterclaim**”) filed by the Purchaser has been accepted by the PRC Court and will be heard together with TH (BVI)’s original claim against the Purchaser;
2. TH (BVI), as the defendant to the Counterclaim, is required to submit its defence to the Counterclaim within 15 days upon receipt of the statement of counterclaim; and
3. each party to the Counterclaim is required to submit evidence to the PRC Court to support the Counterclaim (or the defence thereto) within 30 days from the date of the Court Notice.

On 30 September 2021, the PRC Court issued the judgment (“**WL Judgment**”) in relation to the PRC Legal Claim and the Counterclaim, pursuant to which, among others:

- (1) the Purchaser shall within 30 days after the WL Judgment becoming effective pay to TH (BVI) the principal amount of HK\$203,705,000 and interest accrued thereon (including the interest accrued from 1 January 2019 to 31 August 2019 amounting to HK\$6,780,865 and the interest accrued on the principal amount of HK\$203,705,000 at the rate of 5% per annum after 31 August 2019 up to the date of actual repayment);
- (2) the Counterclaim shall be dismissed;
- (3) the total litigation costs in relation to TH (BVI)’s claims against the Purchaser of RMB999,480 shall be borne as to RMB2,000 by TH (BVI) and RMB997,480 by the Purchaser, and the total litigation costs in relation to the Counterclaim of RMB66,107 shall be solely borne by the Purchaser. TH (BVI) is entitled to request the PRC Court for the refund of the fees prepaid by it within 10 days after the WL Judgment becoming effective, and the Purchaser shall pay the litigation costs borne by him to the PRC Court within 7 days after his receipt of the payment notice; and
- (4) TH (BVI) and the Purchaser shall be entitled to submit an appeal within 30 days after the service of the WL Judgment.

On 5 November 2021, the Company announced that (i) the Purchaser has filed an appeal to the Higher People’s Court of Zhejiang Province of the PRC (“**Zhejiang Higher Court**”) seeking to, among others, overturn the WL Judgment; and (ii) TH (BVI) has also filed a cross appeal to Zhejiang Higher Court in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim.

The Company will continue to seek advice from its PRC legal advisers on the WL Promissory Note. Further details of the WL Promissory Note are set out in the announcements of the Company dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021.

BB Promissory Note

The BB Promissory Note in the principal amount of HK\$330,000,000, which carries interest of 6% per annum, was issued by Profit Castle, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip and 50% by his spouse, to Oasis Beauty, a wholly-owned subsidiary of the Company, as part of the consideration for the disposal of the entire issued share capital of Bonjour Beauty by Oasis Beauty to Profit Castle. The BB Promissory Note is secured by the Guarantee and the Share Mortgage. The BB Promissory Note matured on 9 April 2020 (“**Maturity Date**”). As at the date of this announcement, the BB Promissory Note in the aggregate principal amount of HK\$330,000,000 remains outstanding.

Since the Maturity Date, the Group, Dr. Ip and Profit Castle had been in negotiation on the extension of the maturity date of the BB Promissory Note and the repayment schedule of the principal amount of the BB Promissory Note and interest accrued thereon. However, such negotiation fell through in the absence of any viable repayment proposal from Dr. Ip and Profit Castle that is acceptable to the Group. Having considered the facts and circumstances, the Group had instructed its legal advisers to issue a final demand letter to each of Profit Castle and Dr. Ip on 19 March 2021.

On 22 April 2021, Oasis Beauty issued a notice of enforcement to Profit Castle to declare, among other things, that the Share Mortgage, which was executed by Profit Castle in favour of Oasis Beauty over all shares of Bonjour Beauty (“**Charged Assets**”) for securing the repayment of the BB Promissory Note, is enforceable. In order to safeguard the interest of the Company and the shareholders of the Company, on 23 April 2021, Oasis Beauty appointed receivers (on a joint and several basis) over the Charged Assets in accordance with the terms of the Share Mortgage created by Profit Castle in favour of Oasis Beauty (“**Appointment of Receivers**”).

On 21 May 2021, Oasis Beauty (as defendant) was served with a writ of summons together with a statement of claim (“**Statement of Claim**”) from Profit Castle and Dr. Ip (collectively, “**Plaintiffs**”) in the Court of First Instance of the High Court of Hong Kong (“**Action**”). In the Action, the Plaintiffs are seeking the following reliefs:

1. damages for deceit or fraudulent misrepresentation, or under section 3 of the Misrepresentation Ordinance, and rescission of the SP Agreement, the BB Promissory Note, the Share Mortgage and the Guarantee;
2. alternatively, a declaration that Oasis Beauty is not entitled to enforce the Share Mortgage and the Guarantee;
3. a declaration that the Appointment of Receivers and the appointment of directors for each of Bonjour Beauty Limited, Bonjour Beauty (Shanghai) Limited, Bonjour Medical Science & Technology Beauty Center Limited, on 29 April 2021 and 3 May 2021 (as applicable), be null and void;
4. damages for trespass and/or conversion of the Charged Assets; and
5. an injunction restraining Oasis Beauty from enforcing the Share Mortgage or otherwise interfering with Profit Castle’s lawful rights and interest qua the sole shareholder in Bonjour Beauty.

Oasis Beauty has filed defence and counterclaim to the Action against the Plaintiffs. On 21 July 2021, Oasis Beauty issued the summons for summary judgment and striking out of the claims of Profit Castle and Dr. Ip.

On 22 July 2022, the High Court of Hong Kong issued the judgment (“**BB Judgment**”) in relation to Oasis Beauty’s application for summary judgment and striking out of the claims of the Plaintiffs in July 2021, pursuant to which, among others, final judgment be entered against the Plaintiffs for:

- (a) HK\$330,000,000, being the outstanding principal sum of the BB Promissory Note;
- (b) HK\$13,755,068.49, being the outstanding interest on the BB Promissory Note as at 30 June 2021;
- (c) accrued interest on HK\$330,000,000 at a rate of 6% per annum (being the rate agreed in the BB Promissory Note) for the period from 1 July 2021 to the date of the BB Judgment;
- (d) claims in the Statement of Claim are struck out; and
- (e) costs order nisi that the Plaintiffs do pay Oasis Beauty’s costs to be taxed if not agreed.

On 18 August 2022, Oasis Beauty was served with a notice of appeal issued by the Plaintiffs that the Plaintiffs seek for an order by the Court of Appeal that (i) the BB Judgment be set aside; and (ii) Oasis Beauty do pay to the Plaintiffs their costs of the appeal and below.

Further details of the BB Promissory Note are set out in the announcements of the Company dated 30 December 2016, 17 March 2017, 19 March 2021, 27 April 2021, 26 May 2021, 25 July 2022 and 22 August 2022 and the circular of the Company dated 23 February 2017.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition and disposal during the period under review.

PLEDGE OF ASSETS

As at 30 June 2022, certain of the Group’s assets of approximately HK\$39,048,000 (31 December 2021: approximately HK\$39,804,000) was pledged to secure the Group’s mortgage loan and general banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2022, the Group employed 1,185 staff (31 December 2021: 1,170). Total employee costs, including directors' remuneration, amounted to approximately HK\$355,721,000 for the six months ended 30 June 2022 (2021: approximately HK\$308,785,000). The salary and benefits levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages of the employee of the Group are reviewed annually.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

EVENT AFTER REPORTING PERIOD

Acquisition of Central Medical

On 11 July 2022 (after trading hours), the Buyer (an indirect wholly-owned subsidiary of the Company) and the Seller, among others, entered into the Share Purchase Agreement, pursuant to which the Buyer has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, 100% of the issued share capital of Central Medical at the consideration of HK\$476,000,000, which will be settled:

- (i) as to HK\$356,000,000 by the issue of the Convertible Bonds by the Company to the nominees of the Seller on the Completion Date; and
- (ii) as to HK\$120,000,000 in cash payable by the Buyer to the Seller on the Completion Date.

The Convertible Bonds shall be issued by the Company in three tranches as follows: (i) Tranche A in the sum of HK\$120,000,000, with maturity date falling on 12 months from the date of issue of the Convertible Bonds; (ii) Tranche B in the sum of HK\$120,000,000, with maturity date falling on 24 months from the date of the issue of the Convertible Bonds; and (iii) Tranche C in the sum of HK\$116,000,000, with maturity date falling on the 36 months from the date of issue of the Convertible Bonds.

The Convertible Bonds do not bear any interest.

The Convertible Bonds carry the rights to convert the outstanding principal amount of the Convertible Bonds into the Conversion Shares at the conversion price of HK\$0.76 per Conversion Share (subject to adjustment for certain dilutive events). Assuming the Convertible Bonds are converted in full at the initial conversion price, a maximum of 468,421,053 Conversion Shares will be issued, representing (i) approximately 6.22% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement up to the full conversion of the Conversion Shares).

The Conversion Shares will be allotted and issued under the general mandate granted to the Directors to allot, issue and deal with not more than 1,505,226,890 new ordinary shares of the Company at the annual general meeting of the Company held on 28 June 2022.

Central Medical and its subsidiaries are integrated private medical services providers in Hong Kong with specialist doctors renowned in their respective fields of expertise, providing specialist medical services and complemented by medical management services and various allied health services such as clinical psychology, speech therapy, nutritional therapy, psychological counselling, and imaging and diagnostic services.

All conditions precedent to completion of the Acquisition as set out in the Share Purchase Agreement have been fulfilled and completion of the Acquisition took place on 26 August 2022. Pursuant to the terms of the Share Purchase Agreement, the Company has (i) paid the balance in the amount of HK\$120,000,000 in cash to the Seller and (ii) issued the Convertible Bonds. Following completion of the Acquisition, Central Medical and its subsidiaries have become indirect wholly-owned subsidiaries of the Company; and the financial results of Central Medical and its subsidiaries will be consolidated into the consolidated financial statements of the Company.

Further details of the Acquisition are set out in the announcements of the Company dated 11 July 2022 and 26 August 2022.

Repurchase of Shares

On 26 July 2022, 28 July 2022 and 29 July 2022, the Company has repurchased on the Stock Exchange 930,000 Shares at the aggregate consideration of HK\$465,000, 68,924,000 Shares at the aggregate consideration of HK\$35,840,480 and 81,000,000 Shares at the aggregate consideration of HK\$42,930,000 respectively.

Further details of the above share repurchases are set out in the next day disclosure returns of the Company dated 26 July 2022, 28 July 2022 and 29 July 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2022 has not been audited, but has been reviewed by the audit committee of the Board. Moore Stephens CPA Limited, as the Company's auditors, has reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By Order of the Board
Town Health International Medical Group Limited
Jin Zhaogen
Executive Director and Chief Executive Officer

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Mr. Jin Zhaogen (Chief Executive Officer) and Ms. Zhao Xiangke (Chief Financial Officer); Dr. Wong Chi Kit Nelson, Dr. Law Kwan Kin, Dr. Wong Chun Wa, Mr. Ng Ting Chi, Ms. Yao Yuan and Ms. Lau Wai Yee, Susanna; the non-executive Directors are Mr. Kong Dechang (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and Mr. Han Wenxin.

GLOSSARY

Acquisition	the acquisition of 100% of the issued share capital of Central Medical by the Buyer from the Seller pursuant to the Share Purchase Agreement
BB Promissory Note	the promissory note with a principal amount of HK\$330,000,000 issued by Profit Castle as part of the consideration for the acquisition of the Group's interests in Bonjour Beauty and its subsidiaries
Board	the board of Directors
Bonjour Beauty	Bonjour Beauty International Limited
Buyer	Speedy Light International Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
Central Medical	Central Medical Holdings Limited, a company incorporated under the laws of the British Virgin Islands
China Life Insurance	中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company)
China Life Group	China Life Insurance and its subsidiaries
China or PRC or Mainland China	the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
Company	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange

Completion Date	the date of completion of the Acquisition
Conversion Share(s)	new ordinary share(s) of the Company which may fall to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
Convertible Bonds	the convertible bonds in the aggregate amount of HK\$356,000,000 issued by the Company pursuant to the Share Purchase Agreement
Covid	coronavirus 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
current ratio	total current assets divided by total current liabilities
Director(s)	the director(s) of the Company
Disposal	the disposal of the entire issued share capital of Wise Lead, which owns 49% interest in Huayao, by the Group
Dr. Ip	Dr. Ip Chun Heng, Wilson
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
gearing ratio	total bank borrowing divided by equity attributable to owners of the Company
Group	the Company and its subsidiaries
Guarantee	the deed of guarantee dated 13 April 2017 executed by Dr. Ip in favour of Oasis Beauty for securing the repayment of the BB Promissory Note by Profit Castle

HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
Huayao	Huayao Medical Group Limited
Likang	濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Co., Ltd.), a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Nanshi Chinese Medicine Rehabilitation Hospital	南陽南石康復中醫院有限公司 (in English, for identification purpose only, Nanyang Nanshi Chinese Medicine Rehabilitation Hospital Co., Ltd.), a subsidiary of the Company
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company
Oasis Beauty	Oasis Beauty Limited, an indirect wholly-owned subsidiary of the Company
Profit Castle	Profit Castle Holdings Limited

Purchaser	the purchaser in the Disposal, i.e. Mr. Dai Hai Dong
RMB	Renminbi, the lawful currency of the PRC
Seller	Hong Kong Medical Consultants Holdings Limited, a company incorporated under the laws of the Cayman Islands
SFC	Securities and Futures Commission of Hong Kong
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Share Mortgage	the share mortgage dated 13 April 2017 executed by Profit Castle in favour of Oasis Beauty over the entire issued share capital of Bonjour Beauty for securing the repayment of the BB Promissory Note
Share Purchase Agreement	the share purchase agreement dated 11 July 2022 entered into between the Company, the Buyer, the Seller and the guarantors of the Seller, namely, Central Healthcare Group Limited, Dr. Tsang Wah Tak, Kenneth, Dr. Leung Wing Hung, Dr. Fong Ka Yeung, Mr. Shiu Shu Ming and Dr. Chu Leung Wing in relation to the Acquisition
SP Agreement	the agreement for sale and purchase dated 30 December 2016 entered into between Profit Castle, Oasis Beauty and Dr. Ip in respect of the disposal of the entire issued share capital of Bonjour Beauty by Oasis Beauty to Profit Castle
Stock Exchange	The Stock Exchange of Hong Kong Limited
TBM	The Beauty Medical
TH (BVI)	Town Health (BVI) Limited, a wholly-owned subsidiary of the Company

US\$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Wise Lead	Wise Lead Holdings Limited
WL Promissory Note	the promissory note in the principal amount of HK\$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal